

**Contact: Brad Berg**

**IOWA STATE CENTER ANNUAL REPORT FOR FY 2005**

**Action Requested:** Receive the annual report on the Iowa State Center for the year ended June 30, 2005.

**Executive Summary:** The Iowa State Center includes the operations of Hilton Coliseum, Stephens Auditorium, Fisher Theater, and the Scheman Building, as well as various outdoor activities such as stadium concerts, barbecues, and dances. The Iowa State Center hosted fewer events in FY05 than in recent years resulting in declining attendance and revenues. Spectator Management Group (SMG) is responsible for the comprehensive management of the Iowa State Center, including but not limited to financial, human resource, operating, marketing, and programming.

**Annual Report:**

The University provided an operating subsidy of \$1.2 million which was \$0.3 million more than FY 2004. Concessions, catering and novelty receipts of \$2.8 million were the largest revenue source making up 40.7% of total operating revenues. Other revenue sources include building and equipment rent, reimbursed costs, C.Y. Stephens Series, advertising, public facility maintenance surcharge, ticket handling, and promotions.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Operating Revenues	\$6,817,403	\$7,125,806	\$7,273,284	\$7,543,243	\$6,856,298
Non-operating Revenues	181,776	135,653	115,227	69,682	82,600
Operating Transfers	<u>1,227,447</u>	<u>1,332,719</u>	<u>1,105,640</u>	<u>910,881</u>	<u>1,199,130</u>
Total	\$8,226,626	\$8,594,178	\$8,494,151	\$8,523,806	\$8,138,028
Operating Expenses	\$8,226,626	\$8,594,178	\$8,494,151	\$8,523,806	\$8,138,028

**Conference Services:**

The increase in conference revenue generated per room sold was insufficient to compensate for the decline in the number of rooms sold resulting in meeting room revenue falling \$131,621 short of budget.

	<u>Budget/Goals</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Rooms Sold	4,179	3,450	(729)	(17.4)%
Revenue/Room Sold	\$242.06	\$255.06	\$13	5.4%
Meeting Room Revenue	\$1,011,572	\$879,951	(\$131,621)	(13.0)%
Total Scheman Revenue	\$1,260,372	\$1,087,559	(\$172,813)	(13.7)%
Scheman Net Gain/(Loss)	(\$247,996)	(\$311,420)	(\$63,424)	(25.6)%

**Programming:**

The Center hosted 9 concerts and special events, down from 22 in FY 2004, with combined total ticket sales of over \$2.3 million (\$3.9 million in FY 2004).

The Season at Stephens consisted of 16 attractions and 18 performances with ticket sales revenue totaling \$610,308 falling short of the \$659,128 revenue goal. The University states that final ticket sales revenue fell short of budget due to the downturn in the Iowa economy, winter weather, and increased competition.

The Martha-Ellen Tye Performing Arts Institute Creative Connection series, which consisted of 10 shows and 16 performances, provided arts outreach to an audience of over 14,500 kindergarten through grade 12 students from one third of Iowa's 99 counties. Ticket scholarships, that help guarantee access to the arts for all students, were awarded to 2,293 students.

Management Fees:

The management agreement with SMG established an annual fee of \$120,000 subject to annual adjustments and a 10% commission on net concessions and merchandise sales, limited to the amount of the management fee for that year. The following table shows fees for the past four years.

<u>Fiscal Year</u>	<u>Management Fee (net)</u>	<u>Commission Fee</u>	<u>Total Fees</u>
2002	122,500	111,560	234,060
2003	120,840	120,840	241,680
2004	123,281	123,281	246,562
2005	125,376	106,680	232,056

Concession Sales:

The net return for concession sales, after the concessions commission payment, has fluctuated over the years from 27.0% in FY 1987 (the benchmark year), to a high of 52.4% in FY 1995, to 31.8% in FY 2005. The University reports this fluctuation is a result of a variance in attendance.

The net concessions sales decreased by \$180,408 (-33.5%) from FY 2004. The lower net return, when compared to the previous year, was due to a decrease in the number of contemporary events and subsequent high margin ancillary revenues.

<u>FY</u>	<u>Gross Sales</u>	<u>Net Concessions</u>	<u>Net Return</u>
1987*	\$ 440,359	\$ 118,897	27.0%
1988**	762,734	221,193	29.0%
1989	616,050	234,099	38.0%
1990	746,020	331,233	44.4%
1991	923,272	433,938	47.0%
1992	850,686	401,524	47.2%
1993	985,931	430,852	43.7%
1994	889,511	426,076	47.9%
1995	1,233,487	646,347	52.4%
1996	1,092,144	560,270	51.3%
1997	1,207,370	650,042	50.1%
1998	952,891	388,213	40.7%
1999	1,288,683	597,699	46.4%
2000	1,209,319	479,160	39.6%
2001	1,175,903	459,125	39.0%
2002***	1,179,981	416,743	35.3%
2003	1,424,136	570,747	40.1%
2004	1,408,117	538,081	38.2%
2005	1,125,677	357,673	31.8%

\* Benchmark year.

\*\* Ogden contract effective February 1988.

\*\*\* SMG contract effective June 2001.

Attendance:

FY 2005 attendance at the Iowa State Center (including Brunner Gallery and Farmhouse Museum for which SMG is not responsible) was the lowest on record. Hilton Coliseum did not host any post-season basketball games for the first time in several years.

<u>Fiscal Year</u>	<u>Total Attendance</u>	<u>Fiscal Year</u>	<u>Total Attendance</u>
1987*	859,771	1997	895,523
1988**	944,793	1998	861,766
1989	894,063	1999	1,052,777
1990	918,491	2000	1,101,452
1991	806,184	2001	873,738
1992	835,207	2002***	919,368
1993	972,858	2003	853,779
1994	808,943	2004	792,774
1995	1,005,181	2005	778,049
1996	905,408		

\* Benchmark year

\*\* Ogden contract effective February 1988

\*\*\*SMG contract effective June 2001

Employment Opportunities:

During FY 2005, the Iowa State Center continued to provide employment opportunities for an average of 274 part-time employees (60% ISU students) per pay period with an aggregate part-time payroll of \$999,812.

Initiatives:

Initiatives during the year addressed Center infrastructure needs, marketing, and event generation/booking opportunities. These included:

- Parking lot asphalt repairs
- Establishment of a national rate with Ticketmaster for the Ticketmaster Mail Manager (e-mail marketing program)
- New booking system which provides corporate booking personnel with the opportunity to review facility calendars when working with agents and promoters on touring attractions

Subsequent Events:

The new Wells Fargo Arena officially opened in Des Moines during July 2005. The university believes the new arena will experience a typical twelve to eighteen month "honeymoon" period. Touring acts desiring to play in central Iowa may ultimately play in the new building versus the established Hilton Coliseum. Iowa State Center management is continuing to have discussions with promoters and talent agencies to ensure that Hilton Coliseum is not forgotten and that the facility remains a viable performance option.